

**STATE OF VERMONT
PUBLIC SERVICE BOARD &
DEPARTMENT OF PUBLIC SERVICE
JOINT MEDIA RELEASE**

**VERMONT JOINS ALL NEW ENGLAND STATES IN URGING FEDS
TO REJECT PROPOSED PLAN THAT
COULD COST ELECTRIC CUSTOMERS \$13 BILLION**

Montpelier, VT –Vermont's Public Service Board and Department of Public Service have joined other New England utility regulators in fighting a plan that could cost the region's utility customers as much as \$13 billion over five years while simultaneously failing to ensure that enough electricity is available to meet future needs.

At issue is a payment mechanism proposed to the Federal Energy Regulatory Commission (FERC) by the New England Independent System Operator (ISO-NE), which operates the region's electricity grid. Known as "LICAP" or "Locational Installed Capacity," the proposal would replace the current capacity market with a new and significantly larger wholesale charge that would ultimately be paid by retail electric customers. The revenues from LICAP charges would go to the owners of generation facilities as an incentive for them to build new generation capacity and retain existing generation units in congested areas of high electric load. However, the mechanism provides no assurance that generators receiving the payments will use the revenues to invest in new generation units or to ensure that existing units will be available to the region when needed in the future.

Vermont's Public Service Board and Department of Public Service recently filed a legal brief at FERC opposing the LICAP proposal. The brief argued that the LICAP mechanism proposed by ISO-NE provides no assurance that new generation investment will occur, fails to provide sufficient assurance of long-term reliability benefits, will be extremely costly to New England ratepayers and will charge consumers much higher rates than necessary to meet accepted reliability standards.

"By some estimates ISO-NE's proposal could increase the average residential customer's bill in New England by as much as \$190 a year over the next five years, with some estimates even higher," said James Volz, Chairman of the Vermont Public Service Board. "We fully support measures that ensure reliability in New England but this proposal is unlikely to achieve that objective," he said.

"Vermont shares the view that system reliability is paramount," said David O'Brien, Commissioner of the Vermont Department of Public Service. "We believe, however, that the LICAP approach proposed by ISO-NE will needlessly overcharge consumers without providing corresponding benefits. The proposal reflects insensitivity to the financial burden on Vermont

retail customers, as well as customers in our neighboring states, without solving the challenges it purports to address. We fully appreciate the need for new generation and the need for an efficient capacity market, however, we cannot support this proposal as developed by ISO-NE due to the imbalance between significant payments to generators versus insufficient benefits for ratepayers," he said.

In the legal filing with FERC, Vermont regulators have pointed out that LICAP is unduly burdensome and asked FERC not to adopt the proposal. Should FERC adopt the proposal, Vermont has recommended design modifications to the LICAP mechanism that would save consumers billions of dollars, while still helping New England meet accepted reliability standards.

New England regulators continue to search for reasonable means of ensuring adequate capacity is available and will further discuss the matter with ISO-NE's senior management later this month.

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